

WATER/KKL/ABJ/PTL/MML: jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION
Water Branch

RESOLUTION NO. W-4466
April 22, 2004

R E S O L U T I O N

**(RES. W-4466), LEWISTON VALLEY WATER COMPANY, INC.
(LVW) - SEWER SERVICE. ORDER AUTHORIZING AN
INTERIM INCREASE IN RATES, SUBJECT TO REFUND,
PRODUCING ADDITIONAL ANNUAL REVENUES OF \$12,100
OR 122% FOR TEST YEAR 2004.**

SUMMARY

This Resolution grants LVW-Sewer Service an interim increase in gross annual revenue of \$12,100 or 122%, subject to refund. The increase will provide LVW-Sewer Service with no rate of return on its rate base, but with sufficient monies to pay its current cash operating expenses.

By Draft Advice Letter filed January 26, 2004, and amended on February 6, 2004, LVW-Sewer Service requests authority under Section VI of General Order No. 96-A and Section 454 of the Public Utilities Code to increase rates by \$20,529 or 208%, in the year 2004, of which \$4,468 is to cover the increased fees imposed by the State Water Resource Control Board (SWRCB) for its sewage discharge permit.

BACKGROUND

LVW-Sewer Service presently provides service to approximately 34 customers in a service area, which is located in or near Lewiston, Trinity County.

In 2003 LVW-Sewer Service contacted the Water Division (WD) to report that its 2003 sewage discharge permit cost had increased from \$1200 to \$5668. WD advised LVW-Sewer Service to file a general rate case (GRC). LVW filed draft

advice letters requesting GRCs for both its water and sewer utilities on January 26, 2004.

On February 22, 1996, Dean J. Evans, Assistant Director of the Commission Advisory and Compliance Division presented to the Commission a "Service Guarantee Plan for Small Water Companies." As part of the plan, Mr. Evans proposed that, when a Class C or D water company files a GRC, the Audit and Compliance Branch review the last annual report and do a cash-flow study. If the study indicates the utility is running in the red, staff will prepare a resolution for interim rate relief, subject to refund, to provide adequate revenues to meet expenses.

Even though this is not a water company, staff is concerned about the sewer system having adequate revenues to provide a sufficient level of service. The costs imposed by the SWRCB in 2003 cannot be recovered from the ratepayers, but LVW-Sewer Service will need adequate revenues to cover these costs in 2004. The cash flow study used calendar year 2003 figures, which contained the increased permit fee. Providing LVW-Sewer Service with this interim increase will allow it to more fully cover the permit fee cost for 2004.

Additionally, pursuant to its 2003 Annual Report, LVW-Sewer Service reported that it generated total operating revenues of \$9,885, with a net loss of \$10,486. In view of the negative cash-flow problem, the owners of LVW-Sewer Service have absorbed costs that normally would be included in rates. LVW-Sewer Service's filing indicates that funds for system repairs are needed now to continue operations and service.

The present rates of LVW-Sewer Service became effective nearly ten years ago, on January 1, 1996, pursuant to Res. W-3897, which authorized general rate increases of \$2,110 or 73.26% in 1994; \$1,260 or 25.25% in 1995; and \$731 or 11.70% in 1996. The authorized profit of 27.2% was calculated using the operating ratio method for the 1996 test year.

NOTICE AND PROTESTS

LVW notified its customers of the general rate increase request by mailing a letter to each customer on February 27, 2004. So far staff has received 3 letters complaining about the size of the increase. The utility responded in writing explaining in detail why the increase was necessary. An additional customer

wrote complaining of service issues at his property. Staff has investigated the complaint and believes that the utility's response has been adequate.

A public meeting in connection with the general rate increase was held near the service area on March 23, 2004, and was attended by 15 people. The staff representative explained Commission rate-setting procedures and the utility representative explained the need for the increase. The discussion covered the same ground as the aforementioned letters. In addition, several customers made the point that the area is comprised mostly of low-income customers who will have difficulty affording the proposed rates.

The increase authorized in this resolution is an interim measure, subject to refund, pending the completion of the WD's investigation into LVW-Sewer Service's general rate increase request. Because this increase is a component of the utility's general rate increase and was included in the notice for the GRC, it is not necessary for the utility to separately notify its customers of this interim rate increase.

DISCUSSION

The Audit and Compliance Branch prepared a cash-flow analysis and estimated that the amount of \$12,100 or 122%, would be necessary for the utility to meet its cash flow requirements.

In order to respond to the utility's negative cash flow problem, the WD recommends the proposed interim rates shown in Appendix A be granted to LVW-Sewer Service, subject to refund, pending the final results of the staff investigation needed to set permanent rates. The proposed interim rates are as follows:

	<u>Present</u>	<u>Interim Proposed</u>
Monthly Flat Rate Effluent Removal:		
For each equivalent housing unit	\$ 20.00	\$ 44.40
Monthly Flat Rate Sewer Service:		
For each connection.....	\$ 22.90	\$ 50.84

FINDINGS

1. The interim rates recommended by the Water Division (Appendix A) are reasonable and should be adopted.
2. The rate increase authorized herein should be subject to refund pending the completion of the staff investigation of LVW-Sewer Service's general rate increase request.
3. This interim increase is subject to refund and is subject to the public notice comment exclusion provided in the Public Utilities Code Section 311 (g)(3). In view of the substantial size of the requested increase, upon completion of the General Rate Case, public notice of the draft GRC resolution is appropriate.

THEREFORE, IT IS ORDERED THAT:

1. Lewiston Valley Water Company, Inc.-Sewer Service is authorized to file an advice letter adopting the revised Schedule No. 2E, Flat Rate Effluent Removal Service, and Schedule No. 2, Flat Rate Sewer Service, attached to this resolution as Appendix A, and to concurrently cancel its presently effective rate schedules. Its filing shall comply with General Order 96-A. The effective date of the revised schedule shall not be earlier than five days after the date of its filing.
2. The rate increases authorized herein is subject to refund pending final resolution of Lewiston Valley Water Company, Inc.-Sewer Service's general rate increase request.
3. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on April 22, 2004; the following Commissioners voting favorably thereon:

WILLIAM AHERN
Executive Director

APPENDIX A

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Schedule No. 2E

FLAT RATE EFFLUENT REMOVAL SERVICE

APPLICABILITY

Applicable to all sewer service customers discharging only septic tank effluent into the sewer system.

TERRITORY

The town of Lewiston and vicinity, Trinity County.

RATES

<u>Flat Rate</u>	<u>Per Month</u>	
For each equivalent housing unit.....	\$ 44.40	(I)
<u>Housing Unit Equivalents:</u>		
Each office unit.....	1 housing unit	
Each single-family home.....	1 housing unit	
Each housing unit in a multi-family building..	0.75 housing unit	
Lewiston Valley Motel.....	3 housing units	
Trailer Park		
Each mobile home unit.....	1 housing unit	
Each recreational vehicle.....	0.75 housing unit	

SPECIAL CONDITIONS

1. Flat rate sewer charges are billed monthly in advance.
2. The above rates apply only to customers operating private septic tanks and introducing no solid sewage into the collection system.
3. All rates are subject to the reimbursement fee set forth in Schedule No. UF.

APPENDIX A

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Schedule No. 2

FLAT RATE SEWER SERVICE

APPLICABILITY

Applicable to general sewer service.

TERRITORY

The town of Lewiston and vicinity, Trinity County.

RATES

<u>Flat Rate:</u>	<u>Per Month</u>
For each connection.....	\$ 50.84 (I)

SPECIAL CONDITIONS

1. The above flat rates apply only to service connections not larger than 4 inches in diameter.
2. All rates are subject to the reimbursement fee set forth in Schedule No. UF.
3. Flat rate sewer charges are billed monthly in advance.
4. This tariff was closed to all new connections by Resolution W-3897, adopted by the Commission on December 21, 1994. All new connections made subsequent to that date must be served under Schedule No. 2E.